

R 151420Z DEC 08
FM AMEMBASSY BRIDGETOWN
TO SECSTATE WASHDC 6945
INFO EC CARICOM COLLECTIVE
AMEMBASSY SANTO DOMINGO
DEPT OF COMMERCE WASHDC

UNCLAS BRIDGETOWN 000727

E.O. 12958: N/A

TAGS: ECON EINV PREL XL

SUBJECT: ST. KITTS AND NEVIS BANKS ON GLOBAL ECONOMIC RECOVERY BY 2011

Summary

¶1. (SBU) The government of St. Kitts and Nevis (GOSKN) is making a considerable commitment to tourism development on its southeastern peninsula. The increased development, along with added flights from the U.S. and Europe, could position St. Kitts and Nevis as a tourism leader in the Eastern Caribbean. In recent groundbreaking ceremonies for a new high-end golf course, Prime Minister Denzil Douglas expressed caution over the current global economic environment, but said he is committed to the country's newest USD 2 billion development project. Due to be completed in 2011, the government hopes the new development will be well-placed to take advantage of a hoped-for global economic recovery by 2011. End Summary.

Increased Flights from U.S. and Europe

¶2. (SBU) Minister of State for Tourism Ricky Skerritt recently attended the 2008 World Travel Market in the UK, where, along with British Airways officials, he announced the launch of new weekly British Airways service from London to St. Kitts. Beginning in January, 2008, British Airways will ferry 280 passengers across the Atlantic via a Boeing 777. This service will be linked with British Airway's existing service to Antigua. Almost simultaneously, American Airlines announced a daily non-stop service from Miami, increasing its weekly flights from five to seven using the 148-seat Boeing 1737. With these new flights, St. Kitts and Nevis' potential long-stay tourists jumped by 576 weekly.

Hotels, Marinas, and Golf Course

¶3. (SBU) On November 12th, Prime Minister Douglas, along with private investors the Kiawah Group from South Carolina, broke ground on an 18-hole Tom Fazio championship golf course. The golf course is part of a large tourism development project covering almost the entire 2500 acre Southeast peninsula of the island of St. Kitts. With a world class Mandarin Resort, two five-star hotel complexes, a mega-yacht marina, and oceanfront homes, the USD 2 billion project is expected to spur economic growth to the twin island nation leading to its opening in 2011.

¶4. (SBU) On November 16th, the chairman of the Kiawah Development Group told local media that although "global economic times are not as stable as they have been," his group is fully committed to the project. PM Douglas echoed these comments, with muted optimism but stressing that citizens of St. Kitts and Nevis should exercise caution in these uneasy economic times. Although hotel reservations and cruise line bookings look promising, he noted, St. Kitts and Nevis is part of the global economy and must not get lulled into a false sense of complacency.

Comment

¶15. (SBU) With almost no other industry outside tourism, St. Kitts and Nevis is very sensitive to fluctuations in the global economy, and is particularly vulnerable to the potentially crippling effects of natural disasters such as hurricanes. The project, with its completion date three years off should keep the economy afloat with construction work. Upon completion, it could brand St. Kitts and Nevis as a premium high-end tourism destination and keep the economy moving for years to come. The fact that the investors are willing to sink money into the project in the teeth of a recession implies a certain confidence on their part that the risk is worth taking -- a good sign for tourism development in the Eastern Caribbean.

¶16. (SBU) Unfortunately, this ground-breaking also highlights a somewhat disappointing trend in the GOSKN's approach to investors. While large-scale mega-projects are being openly embraced and strongly supported by the government, there remain a number of long-standing expropriation claims by U.S. citizens and others for smaller, less generous revenue-generating projects that the government has to date turned a blind eye to. As long as these smaller claims fester -- and some of them, like the Angelus dispute, pit American claimants against potential mega-project builders like the Marriott -- it will be difficult for the GOSKN to sell itself as a safe and secure investment for property developers.

OURISMAN